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Page: A responsible budget

By Gov. DONALD L. CARCIERI

As governor, it is my responsibility to ensure that Rhode Island is a place where you, your children, and your grandchildren will stay and prosper. That has been my goal since I first took office. To do that, we must be a lower-tax, business-friendly, fiscally sound state.

In the last few years, we have made major progress on the first two goals. But the third needs dramatic improvement. A fiscally sound government must deliver quality service at a price our taxpayers can afford, and which is sustainable over the long-term. Sadly, that is not the case today.

The state is facing the largest budget crisis in recent memory, and the problem is expected to get even worse next year. The General Assembly, which is ultimately responsible for the state budget, just released a spending plan that raises taxes, cuts school aid and plugs the hole with one-time proceeds from the sale of tobacco bonds.

In short, the legislature's budget is bad for taxpayers, bad for local schools, bad for business and bad for every future generation. As elected officials, we should be working to reduce Rhode Island's tax burden; not increase it. We should be working to fix the state's long-term budget problems; not paper them over.

By contrast, the plan I recently unveiled would begin to fundamentally reform state government by reducing costs where costs are highest or most out-of-line with similar costs in the private sector. Unlike the legislature's plan, it would avoid using tax increases and more one-time gimmicks to mask the problem.

After all, Rhode Island's combined state and local tax burden is already the seventh highest in the nation. We cannot tax our way to budget health. Too many people seem to think that state government is a giant ATM. To me, that ATM is doling out "Average Taxpayer Money."

Similarly, one-time revenue sources – such as the proceeds from the sale of tobacco bonds – are also not the solution. This Band-Aid proposed by the General Assembly won't stop the hemorrhaging and will only exacerbate next year's budget problem. It's similar to a homeowner who "maxes" out a credit card to pay their mortgage. Next month, the mortgage payment will come due again, but

the money's gone.

Even worse, by diverting state funds that I had planned to use for transportation projects, the General Assembly's plan could cost Rhode Island nearly \$270 million in federal matching funds for repairing roads and building bridges.

It is time to take a long-term view and enact major reforms. In particular, we must target personnel expenses as part of the answer to our budget problem, because the state's salary and benefit costs are out-of-line with similar costs in the private sector.

State personnel costs have nearly doubled in the last 10 years, increasing from \$900 million in FY 1998 to a projected \$1.6 billion in FY 2008. Next year, the total benefit cost for an average state employee – making \$58,148 per year – will be \$51,186, or 88 percent on top of salary. As a result, the total compensation for an average state employee is actually \$109,334!

By comparison, the average benefit overhead being paid by private companies in New England is 29 percent, or 59 percent lower than what the state is paying. Not taking account of the difference in the length of the workweeks (most state employees work 35 hours per week), the average state employee is receiving almost \$34,307 more in benefits than those in the private sector.

Put another way, if all state employees were receiving the same benefit package as average private sector workers, taxpayers would save over \$500 million every year.

This is not fair to average Rhode Island taxpayers. We cannot afford to be that out-of-line with what is being paid in the real world. Instead, we must begin to address these extraordinarily high personnel costs so we can resolve this year's budget crisis, and reduce

the problem we face in coming years.

I have proposed a four-point plan to begin that process:

First, I will be enacting a comprehensive workforce reduction of 1,000 state employees, saving taxpayers \$26 million in general revenues next year, and another \$40 million each year thereafter.

Second, I will renegotiate the extraordinarily low co-pays state employees pay for doctors' visits, emergency room visits and prescription drugs so they match those paid by employees in the private sector. This will save \$12 million next year and \$13 million each year after that.

Third, I will put out to competitive bid every state service that could possibly be performed more efficiently by the private sector. *The goal of this initiative is to provide the same or better services to Rhode Island citizens at a lower cost for Rhode Island taxpayers.* This will save \$15 million next year. More importantly, privatizing state services is a key to building a sustainable budget for years to come.

Finally, I have asked the General Assembly to pass legislation to freeze all state wages at their current levels, saving \$32 million next year. State employees have received 11 percent pay increases over the last three years. In this fiscal emergency, we cannot afford to grant another pay raise at this time.

This four-point plan isn't easy, but it will balance the budget without tax increases or more one-time fixes. More importantly, it will begin to bring our spending under control, and provide the type of structural reform that Rhode Island has long needed.

I urge our citizens to challenge the General Assembly to face our fiscal crisis, and pass a responsible budget now.

